Government of
Saskatchewan

Annual Report
1984-85

Agricultural
Credit Corporation of
Saskatchewan

Saskatchewan

86-02534/

Annual Report
1984-85

Agricultural Credit Corporation of Saskatchewan

Letters of Transmittal

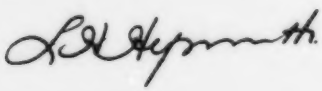
Regina, Saskatchewan
April, 1985

His Honour Frederick W. Johnson
Lieutenant Governor
Province of Saskatchewan

Sir:

I have the honour to present the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1985.

Respectfully submitted,



Lorne H. Hepworth
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Regina, Saskatchewan
April, 1985

Honourable Lorne Hepworth
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Sir:

Presented herewith is the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1985.

Respectfully submitted,

Jack Drew
Chairman, Board of Directors
Agricultural Credit Corporation
of Saskatchewan

General Manager's Report

The impetus given the corporation by **The Agricultural Credit Corporation of Saskatchewan Act** continued to be evidenced by strong loan activity. Approvals during the year were $20,863,676 bringing the total assistance approved by the new corporation to $26,846,237 over fifteen months. This activity level continued to be more than twice that experienced in the fifteen months prior to the new Act's coming into effect.

The fiscal year ending March 31, 1985, saw continued change within the corporation as administrative structures and procedures were revised to deliver our programs more effectively and efficiently.

The corporation moved from six regions to five and transferred all responsibility of client follow-up to field staff. A major change in staff roles was made by merging the duties of Loans Officers and Agrologists. The resulting Credit Advisor position handles all aspects of a client's account, and by operating in a streamlined organizational structure, is providing improved client service. The corporation continues to review and revise methods of program delivery to ensure the best possible service to clients.

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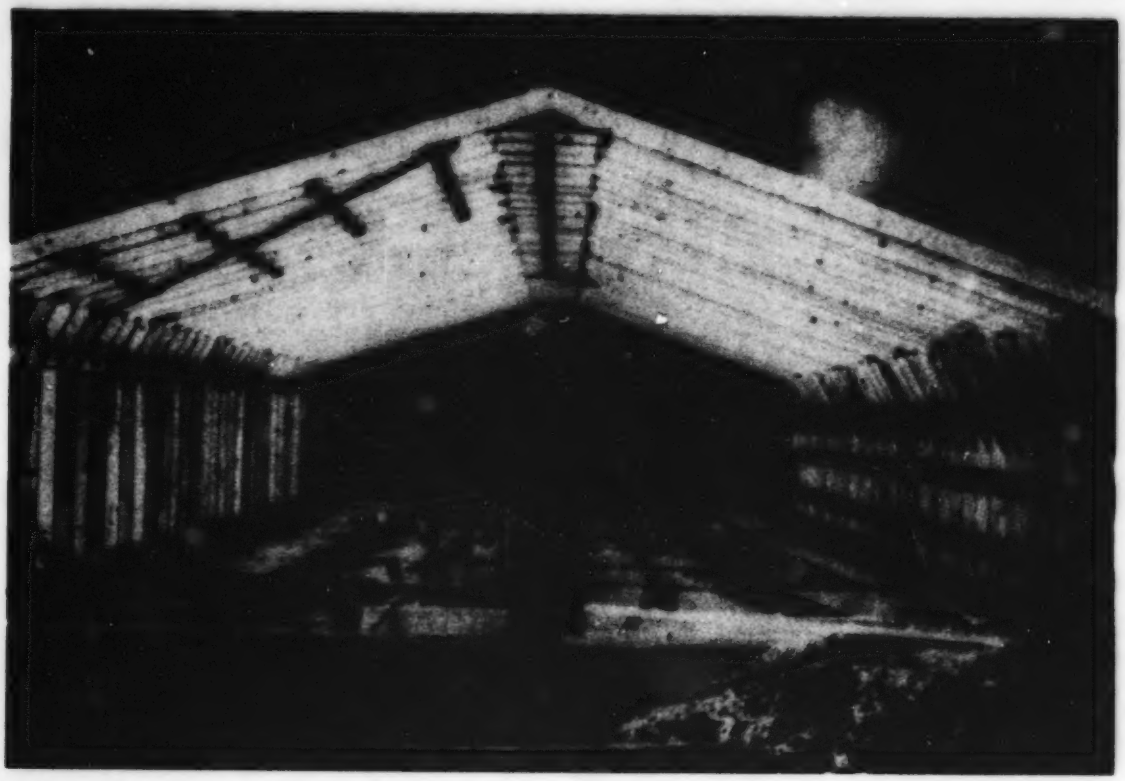


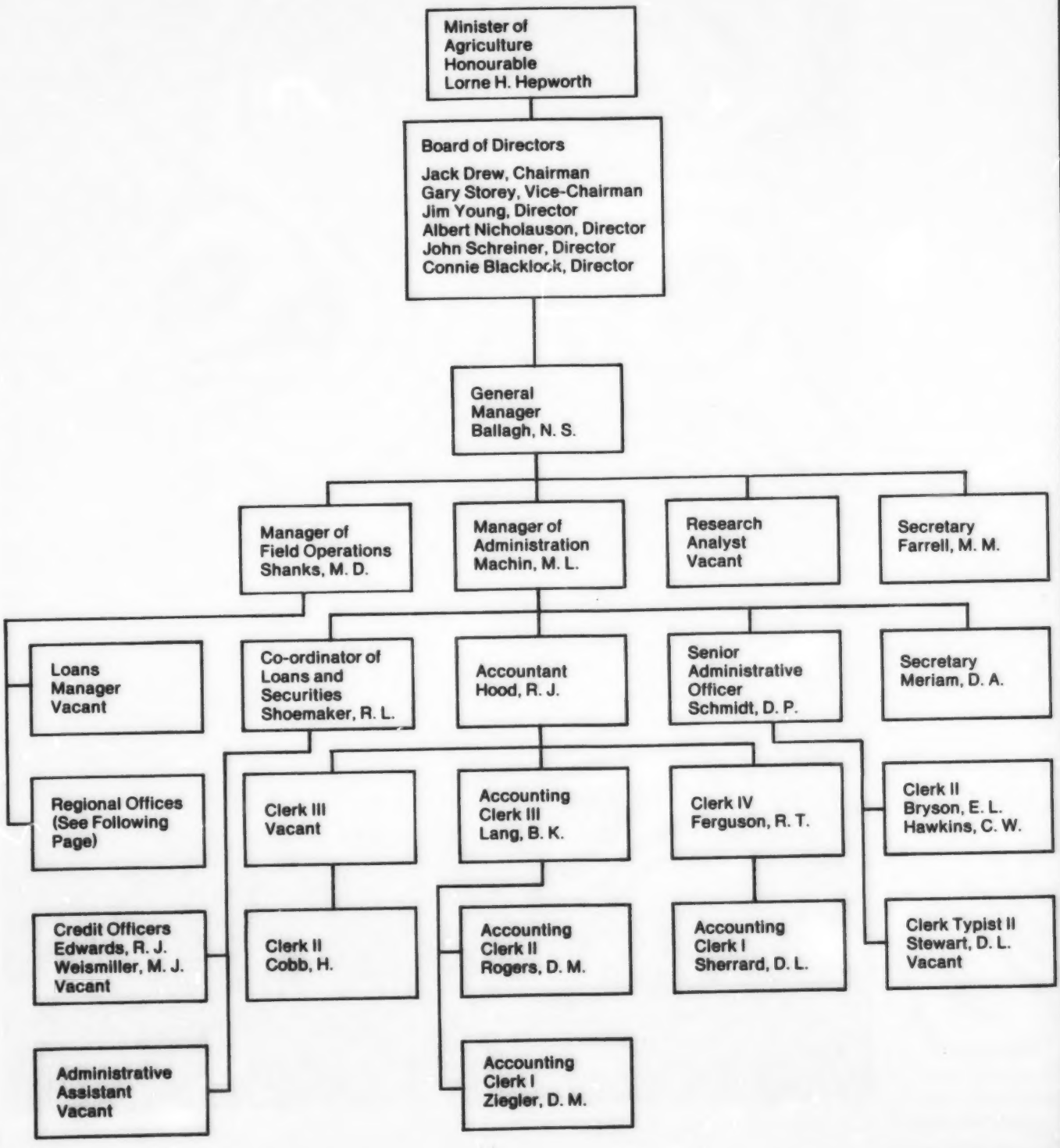
Organization

The Agricultural Credit Corporation of Saskatchewan (ACS) is a crown corporation continued pursuant to **The Agricultural Credit Corporation of Saskatchewan Act**.

Reporting to the Minister-in-Charge, a Board of Directors is responsible for managing the affairs of ACS. At March 31, 1985, the members of the Board were Mr. Jack Drew (Chairman), Dr. Gary Storey (Vice-Chairman), Mr. Jim Young, Mr. Albert Nicholauson, Mr. John Schreiner and Mrs. Connie Blacklock.

The Corporation's head office is in Regina with Regional offices located in Weyburn, Swift Current, Tisdale, Saskatoon and North Battleford. Field offices are located in Indian Head, Moose Jaw, Assiniboia, Kelvington, Yorkton, Prince Albert, Watrous, Outlook, Shellbrook and Meadow Lake.

Organization Chart


Minister of Agriculture Honourable Lorne H. Hepworth
Board of Directors
Jack Drew, Chairman
Gary Storey, Vice-Chairman
Jim Young, Director
Albert Nicholauson, Director
John Schreiner, Director
Connie Blacklock, Director
General Manager Ballagh, N. S.
Manager of Field Operations Shanks, M. D.
Manager of Administration Machin, M. L.
Research Analyst Vacant
Secretary Farrell, M. M.
Loans Manager Vacant
Co-ordinator of Loans and Securities Shoemaker, R. L.
Accountant Hood, R. J.
Senior Administrative Officer Schmidt, D. P.
Secretary Meriam, D. A.
Regional Offices (See Following Page)
Clerk III Vacant
Accounting Clerk III Lang, B. K.
Clerk IV Ferguson, R. T.
Clerk II Bryson, E. L. Hawkins, C. W.
Credit Officers Edwards, R. J. Weismiller, M. J. Vacant
Clerk II Cobb, H.
Accounting Clerk II Rogers, D. M.
Accounting Clerk I Sherrard, D. L.
Clerk Typist II Stewart, D. L. Vacant
Administrative Assistant Vacant
Accounting Clerk I Ziegler, D. M.

Regional Offices

Region No. 1 — Weyburn 842-4607

Ballard, Lyle	Regional Manager
Stein, Lloyd	Regional Credit Advisor
Lillejord, Rick	Credit Advisor
Thompson, Guy	Credit Advisor
Ewasiuk, Dan	Credit Advisor
Vacant	Credit Advisor
Caderma, Terry	Credit Advisor (Indian Head)
Devitt, Heather	Administrative Assistant
Hallick, Bernice	Clerk Typist

Region No. 2 — Swift Current 773-2866

Lafreniere, Dennis	Regional Manager
Howes, Ralph	Regional Credit Advisor
Gabruch, Dave	Credit Advisor
Martins, Gerry	Credit Advisor
Vacant	Credit Advisor
Manz, Gerry	Credit Advisor (Moose Jaw)
Frisk, Laverne	Credit Advisor (Assiniboia)
Gruending, Esther	Administrative Assistant
Ford, Donna	Clerk Typist

Region No. 3 — Tisdale 873-2693

Petrar, Don	Regional Manager
Pierce, Don	Regional Credit Advisor
Childs, Ken	Credit Advisor
McLaren, Pete	Credit Advisor (Prince Albert)
McLaren, Don	Credit Advisor (Yorkton)
Karcha, Wade	Credit Advisor (Yorkton)
Donovan, Jim	Credit Advisor (Kelvington)
Johnson, Joyce	Administrative Assistant
Zorn, Lorraine	Clerk Typist

Region No. 4 — Saskatoon 933-5353

Côté, Denis	Regional Manager
Rakochy, Joe	Regional Credit Advisor
Boyce, Jim	Credit Advisor
Dieno, Doreen	Credit Advisor
Spencer, John	Credit Advisor
Hovdestad, Lorne	Credit Advisor (Outlook)
Stapleton, Chuck	Credit Advisor (Watrous)
Collins, Carole	Administrative Assistant
Tappin, Joy	Clerk Typist
Berry, Gloria	Clerk Typist (Watrous)

Region No. 5 — North Battleford 445-6146

Foreman, Bob	Regional Manager
Hagen, Cec	Regional Credit Advisor
Williamson, Floyd	Credit Advisor
Bater, Keith	Credit Advisor
Vacant	Credit Advisor
Babcock, Jim	Credit Advisor (Shellbrook)
Danyluk, Jim	Credit Advisor (Meadow Lake)
Gustafson, Mary	Administrative Assistant
Hawryluk, Sandra	Clerk Typist

Programs Administered by the Agricultural Credit Corporation of Saskatchewan

Agriculture typically accounts for one half of Saskatchewan's gross provincial product and is also a major contributor to Canada's export earnings. The continued growth of this sector will directly benefit farmers and indirectly lead to enhanced opportunities for secondary processing and manufacturing in the province.

A key factor in realizing the sector's growth potential is the availability and terms of credit. Thus ACS uses credit as a tool to achieve its prime objective which is to assist developing farmers to establish profitable units. Emphasis is placed on intensifying and diversifying the agricultural sector through livestock and irrigation enterprises.

A. Loan Program

1. Operation

Criteria

Applicants must make farming their principal occupation and be Canadian citizens or landed immigrants resident in Saskatchewan during the term of the loan.

The net worth of the applicant and spouse must not exceed $300,000 and their average non-farm income during the previous three years must not exceed $35,000.

Purposes

ACS loans may be used for the following:

1. Purchase livestock for breeding purposes.
2. Avoid disposing of livestock.
3. Clear, break and sow land for grazing or perennial forage crops.
4. Construct or renovate buildings, improvements, or facilities and purchase equipment to be used in the establishment or expansion of livestock production.
5. Purchase a maximum of one quarter section of land for the purpose of carrying on intensive livestock operations on that land.
6. Purchase feeder livestock for the purpose of feeding and preparing them for slaughter.
7. Purchase machinery and equipment for the production of irrigated crops.
8. Purchase or construct storage, processing or packaging facilities and equipment for irrigated crops.
9. Carry out any land development work that may be required for the production of irrigated crops.
10. Refinance loans secured by farmers to establish, maintain or expand livestock and irrigated crop production.

Loan Amounts

The maximum loan is $350,000; the minimum loan is $10,000.

Interest Rates

Interest rates are fixed for the term of the loan and are based on the applicant's net worth.

Interest rates for subsidized loans are 8% for the first five years, 12% for the next five years and at a rate based on the Corporation's cost of borrowing, at the time of loan approval, for the remaining five years. Prior to March 31, 1985, this last rate was 13%.

The amount of loan eligible for subsidized rates is reduced from $350,000 by $3.50 for every $1.00 of net worth exceeding $200,000, with any remaining portion of the loan being at the non-subsidized rate. Prior to March 31, 1985, this rate was 13%.

Interest rates on loans made in prior fiscal years are also fixed for the term of those loans. Depending on the date of loan approval, interest rates vary from 6% to 14%.

Security

ACS security requirements recognize both the need to protect public funds advanced by the program and the ability of developing farmers to provide security.

Security may include assets acquired with loan funds and may be in the form of land mortgages and security agreements on other assets. Guarantees on behalf of the applicant are also acceptable.

All loans must be adequately protected by life insurance. ACS offers a group life insurance program although assignments of other life insurance policies are acceptable.

Application Procedures

Information on the ACS loan program is available from Corporation staff located throughout the province. Department of Agriculture staff, including Agricultural Representatives, also provide information.

Eligibility is determined by the applicant's Statement of Affairs which details net worth and non-farm income and describes the purpose for which loan funds are sought.

If eligible, the applicant must complete a farm plan and other detailed budgets. Assistance is available from ACS field staff to complete these plans which indicate the potential to develop an economically viable farm unit. In addition, counselling and technical advice are available from Farm Management Specialists, Livestock Specialists, Agricultural Engineers and other Department of Agriculture staff.

Once the applicant has completed the farm plan and other budget material, ACS field staff will review the package and make a decision on the loan.

Applicants should not expect to receive instant credit approval where long term planning is required to obtain an adequate proposal. While applications are processed as quickly as possible, factors such as multiple operator units, operating agreements or loan size could affect the time required for analysis and approval.

Once the loan agreement and security documents have been completed, funds may be disbursed through the field office upon presentation by the client of bills verifying that the expenditure has occurred and is consistent with the proposal submitted by the applicant.

Operating Credit

In addition to the capital funds provided by ACS, many clients need operating credit to enable them to carry out their proposal. Therefore ACS may offer to guarantee an operating loan the client obtains from a commercial lender. These guarantees are available only to those with ACS capital loans.

Operating loan guarantees are based on cash flow projections completed by the client and field staff. If a guarantee is to be provided, the client will be given a guarantee form to take to the commercial lender of his choice. The form will specify the amount and duration of the guarantee as well as the security to be taken.

2. Assistance Provided

During the 1984-85 fiscal year, ACS approved 381 loans totalling $20,863,676 which represented an increase of 17% over the average loan size of the previous year. Most notable in this trend were sheep, poultry and dairy loans up 153%, 100% and 69% respectively.

Beef enterprises remained the major purpose of applications receiving 48% of approved funds, an increase over last year's level of 44%. Dairy enterprises also returned to their long term share of 21% from only 10% in 1983-84. Hog enterprises did not continue the strong increase of 1983-84 activity dropping from 37% to 22% but did remain above the long term average of 18%.

Table 1

ACS Credit Activity

Year	Number*	Loans	Grants	Total
1973-74	844	$ 18,478,824	$ 4,042,760	$ 22,521,584
1974-75	1,192	25,383,824	5,268,640	30,652,464
1975-76	639	12,996,411	2,648,016	15,644,427
1976-77	348	8,091,300	1,322,666	9,413,966
1977-78	379	10,600,107	1,076,082	11,676,189
1978-79	375	12,891,656	1,370,601	14,262,257
1979-80	658	25,050,263	1,953,457	27,003,720
1980-81	1,059	44,270,642	2,202,218	46,472,860
1981-82	880	36,989,382	1,540,854	38,530,236
1982-83	463	18,108,897	510,719	18,619,616
1983-84	295	13,778,096	0	13,778,096
1984-85	381	20,863,676	0	20,863,676
Total		$247,503,078	$21,936,013	$269,439,091

* Prior to 1978-79: Applications Approved
As of 1978-79: Loans Approved

Table 2

ACS Approvals by Type and Region

For the Year Ended March 31, 1985

Region	Hogs	Beef	Dairy	Irrigation	Other	Total	Number of Loans
Weyburn	$ 853,850	$2,359,730	$1,698,635	$ 65,000	$ 323,625	$ 5,300,840	81
Swift Current	159,755	2,976,557	384,175	399,104	14,650	3,934,241	71
Tisdale	1,002,465	1,277,177	275,610		178,175	2,733,427	61
Saskatoon	1,094,050	915,068	759,450	423,900	343,400	3,535,868	63
North Battleford	1,529,150	2,388,850	1,257,100	22,500	161,700	5,359,300	105
Total	$4,639,270	$9,917,382	$4,374,970	$910,504	$1,021,550	$20,863,676	
Number of Loans	74	232	44	16	15		381

Table 3

Loan Disbursement Purposes

For the Year Ended March 31, 1985

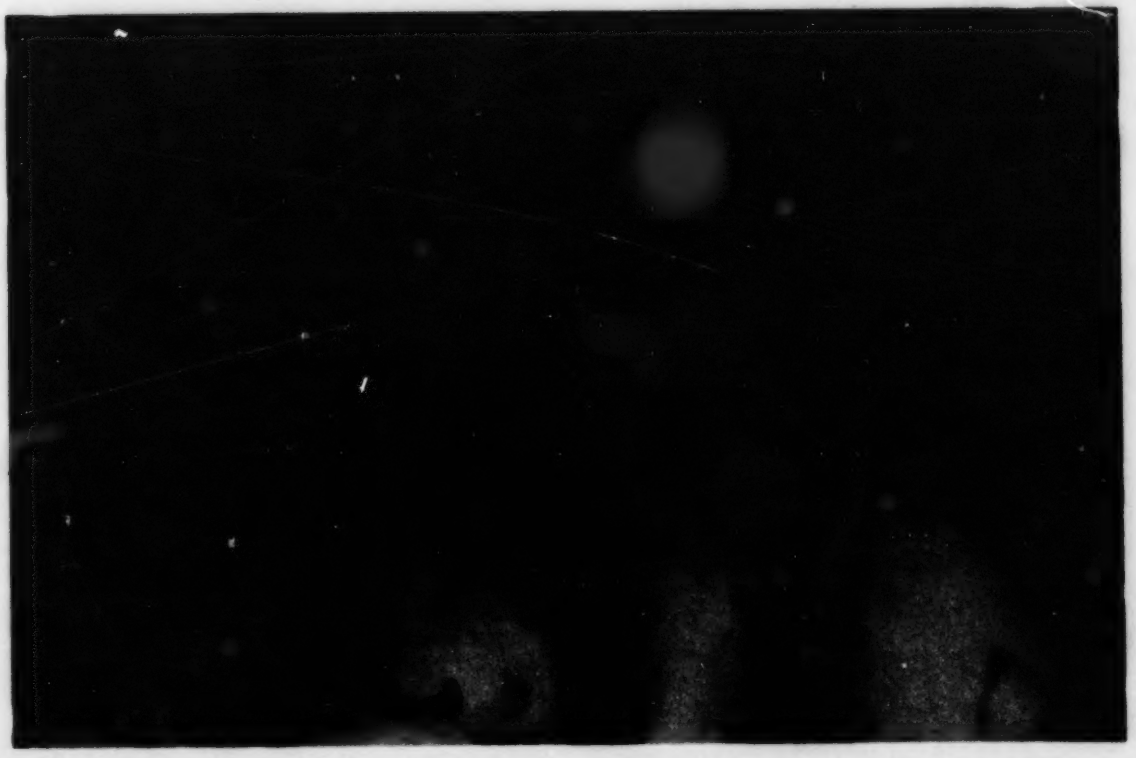
Type	Buildings and Improvements	Livestock	Machinery and Equipment
Hogs	76%	18%	7%
Beef	7	84	9
Dairy	55	38	7
Bees	69	13	18
Irrigation	3	0	97

Table 4

ACS Net Approvals by Type

To March 31, 1985

Type	Loans	Amount
Hogs	1,214	$ 41,079,476
Beef	4,509	114,436,993
Dairy	1,032	50,408,869
Poultry	93	4,506,202
Sheep	74	2,037,090
Bees	157	6,728,309
SSRID Irrigation	87	3,383,419
Other Irrigation	169	9,338,163
Other	39	1,495,552
Total	7,374	$233,414,073



3. Repayments

At March 31, 1985, there were 4,007 active clients of whom 3,682 had begun loan repayment. The date of first repayment on ACS loans is set to coincide with sale of production and may be established on a monthly, quarterly, semi-annual or annual basis, depending on the enterprise. The maximum loan term is 15 years. Partial or complete repayment of loans may be made at any time without penalty.

At March 31, 1985, arrears amounted to 21% which compares to approximately 15% of a year earlier. The increase in arrears is attributable to the difficult economic situation facing many of the Province's farmers. ACS field staff work closely with clients to re-establish a workable repayment schedule.

4. Client Profile

In order to evaluate the program's effectiveness in assisting developing farmers the following profiles were developed for individuals approved for loans in 1984-85.

New Farmers

Of the 375 applicants who were approved for loans, 146 reported little or no farm income prior to application. Their average age was 28 years. Non-farm income averaged $8,259.

These new farmers had average gross assets of $189,828 and an average net worth of $89,755. Their debt load was split between $12,535 short term and $89,260 longer term. The average farm income reported was negative $1,247. Their average land base was 884 acres, of which 302 were owned.

The average assistance approved was $72,195 with hog enterprises receiving $79,431, beef enterprises receiving $49,002 and dairy enterprises receiving $138,668.

Expanding Farmers

The remaining 229 applicants already had some farm involvement, reporting an average gross farm income of $45,645 and an average net farm income of $5,060. Their average age was 30 years. Non-farm income averaged $6,307.

These farmers had average gross assets of $246,576 and an average net worth of $116,461. Their debt load was split between $16,576 short term and $110,693 longer term. Their average land base was 1,058 acres of which 360 were owned.

The average assistance approved was $72,386 with hog enterprises receiving $99,225, beef enterprises receiving $54,629 and dairy enterprises receiving $152,561.

B. Guaranteed Loan Programs

In addition to the direct loan assistance to farmers ACS administers several loan guarantee programs.

1. Guaranteed Operating Loans (GOL)

To assist those clients who have obtained a capital loan and who lack the necessary finances to meet immediate cash flow requirements, the Corporation provides guaranteed operating loans which are obtained from the lender of the client's choice. Loans guaranteed prior to January 1, 1984, are covered to the extent of 80% of any loss to the lender. Loans guaranteed subsequently are guaranteed to 90%.

During the fiscal year, the Corporation guaranteed 30 operating loans totalling $706,500. As of March 31, 1985, $248,443 was outstanding.

2. Guaranteed Operating Loans for Feeders (GOLF)

Effective January 1, 1984, ACS implemented the Guaranteed Operating Loans for Feeders program to assist the feedlot industry and to encourage increased cattle feeding in Saskatchewan. To be eligible for assistance an individual must have a net worth of under $300,000 and non-farm income of under $35,000. Applicants must also be bona fide farmers.

Loans may be up to $350,000 for feedlots and up to $100,000 for farmers having animals custom fed. Loan funds may be used for the purchase of feeders, feed and normal feedlot operating expenses providing cattle are fed in Saskatchewan.

Application is made through banks and credit unions. Lenders will be reimbursed by ACS for 80% of any losses under the program. As of March 31, 1985, $239,750 had been approved for 4 loans.

3. Guaranteed Livestock Loans (GLL)

Beginning October 15, 1974, the Guaranteed Livestock Loans program provided assistance similar to the discontinued LLGA.

There was no interest subsidy offered under GLL but lenders are limited to charging a maximum of two percent above their prime interest rates. Loans were for seven years and could be used to purchase female cattle and sheep for breeding purposes. Lenders are guaranteed to receive from ACS 80% of any loss on these loans.

The program concluded December 31, 1983, although loans and guarantees approved prior to that date will continue. As of March 31, 1985, $318,972 was outstanding to 56 borrowers.

4. Livestock Loans Guarantee Act (LLGA)

The Livestock Loans Guarantee Act provided loan guarantees and interest subsidies to farmers purchasing female cattle and sheep. Borrowers were paid a grant to offset any interest charge over 7% during the first three years of their loans.

The program began in 1969 and ended on August 31, 1974. On April 1, 1975, administration of this program was placed under the Corporation (see Financial Statements, Note 7).

As of March 31, 1985, no loans were outstanding under this program. No interest subsidy payments were made during this fiscal year.

C. Beef Industry Assistance Programs (BIAP)

In response to low cattle prices, the Corporation provided one year interest free advances in 1974, 1975 and 1976. In the last year, these loans were combined with grants totalling $31 million. During the three year period loans totalling over $167 million involving an interest subsidy of almost $15 million were made.

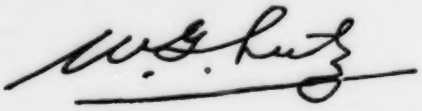
As of March 31, 1985, outstanding loans totalled $262,989.

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of the Agricultural Credit Corporation of Saskatchewan as at March 31, 1985 and the statements of revenue, expenditure and accumulated surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
September 11, 1985,
except as to Note 13 which is as
of September 25, 1985.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

Balance Sheet
As at March 31

Agricultural Credit Corporation of Saskatchewan

	1985	1984
Assets		
Bank and short-term investments	$ 23,096,475	$ 29,063,422
Accrued interest and other receivables	7,179,967	7,147,488
Loans receivable; net of allowance for losses (1985 — $6,933,972; 1984 — $5,745,925) (Notes 3, 4 and 9)	145,379,452	139,766,491
Office equipment, at cost	77,433	76,551
Total Assets	$175,733,327	$176,053,952
Liabilities and Province's Equity		
Liabilities:		
Accrued interest and other payables	$ 5,217,789	$ 5,153,444
Unexpended grants — Province of Saskatchewan (Note 5)	188,381	517,501
Payable to Department of Agriculture (Note 12)	27,055	27,863
Bank loan (Note 6)	250,000	150,000
Long-term debt — Province of Saskatchewan (Note 6)	169,843,000	169,843,000
Total Liabilities	175,526,225	175,691,808
Province's Equity:		
Equity in office equipment	77,433	76,551
Accumulated surplus (Statement 2)	129,669	285,593
	207,102	362,144
Total Liabilities and Province's Equity	$175,733,327	$176,053,952

(See accompanying notes to the financial statements)

Statement of Revenue, Expenditure and Accumulated Surplus

Statement 2

Year Ended March 31

Agricultural Credit Corporation of Saskatchewan

	1985	1984
Revenue:		
Grants from the Province of Saskatchewan (Note 5)	$ 9,169,239	$9,779,169
Loan interest	13,909,313	13,158,713
Short-term investment income	2,886,651	2,713,445
Other revenue	464,302	431,202
Total Revenue	26,429,505	26,082,529
Expenditures:		
Administrative expenses (Schedule I)	3,125,572	3,225,145
Grant program (Note 9)	5,939	42,437
Livestock loan interest rebates and guarantees (Note 7)	4,313	65,474
Interest (Note 6)	20,191,962	20,214,172
Bad debt expense (Note 4)	3,257,643	2,269,435
Total Expenditures	26,585,429	25,816,663
Excess of revenue over expenditure (expenditure over revenue)	(155,924)	265,866
Accumulated surplus beginning of year	285,593	19,727
Accumulated surplus, end of year (Statement 1)	$ 129,669	$ 285,593

(See accompanying notes to the financial statements)

Statement of Changes in Financial Position

Statement 3

Year Ended March 31

Agricultural Credit Corporation of Saskatchewan

	1985	1984
Source of Cash:		
From Operations		
Excess of revenue over expenditure (expenditure over revenue)	$ (155,924)	$ 265,866
Items not requiring an outlay of funds:		
Bad debt expense	3,257,643	2,269,435
Net source of cash from operations	3,101,719	2,535,301
Increase in long-term debt	—	13,517,000
Increase in bank loans	100,000	150,000
Increase in unexpended grants — Province of Saskatchewan	—	282,819
Increase in accrued interest payable	64,345	534,771
Decrease in appropriations receivable — Province of Saskatchewan	—	40,000
Decrease in accrued interest receivable	—	535,215
Total source of cash	3,266,064	17,595,106
Application of Cash:		
Increase in accrued interest receivable	32,479	—
Net increase in loans receivable	8,870,604	1,989,608
Decrease in unexpended grants — Province of Saskatchewan	329,120	—
Decrease in payable — Department of Agriculture	808	9,517
Total application of cash	9,233,011	1,999,125
Net increase (decrease) in bank and short-term investments	(5,966,947)	15,595,981
Bank and short-term investments, beginning of year	29,063,422	13,467,441
Bank and short-term investments, end of year	$23,096,475	$29,063,422

(See accompanying notes to the financial statements)

Notes to the Financial Statements
March 31, 1985

Agricultural Credit Corporation of Saskatchewan

1. **Status of the Corporation**

The Agricultural Credit Corporation of Saskatchewan Act came into force on January 1, 1984 repealing **The Agricultural Incentives Act**, proclaimed July 3, 1973. This new Act established the Agricultural Credit Corporation of Saskatchewan as a continuance for the corporation known as FarmStart which was previously established by **The Agricultural Incentives Act**. Under this new Act, a fund known as The FarmStart Fund was continued as the Agricultural Credit Corporation of Saskatchewan Fund, through which all transactions reflected in these statements were conducted.

2. **Significant Accounting Policies**

a) Grants received from appropriated monies of the Consolidated Fund are used for the purposes specified by the Legislature and a separate accounting is maintained for each type of grant (Note 5). Any surplus remaining from the grants received by the Corporation during its fiscal year is to be repaid to the Consolidated Fund at the end of the fiscal year. The surplus repayable is reflected in the financial statements as a reduction of reported grant revenue.

Amounts recovered (net) from farmers in respect of the grants paid to them in prior years are retained by the Corporation as surplus and are used to fund any program expenditures which exceed the related appropriations received in a particular year.

b) The Corporation has adopted the accrual method of accounting. An exception to this principle is made in the case of grant programs administered by the Corporation wherein the expense is not recognized until the grant payment is made. Effective August 31, 1982 the grant program was discontinued. Similarly, expenses associated with guaranteeing loans extended by commercial lending institutions are not recognized until a claim for loss is submitted by the institution (Notes 4, 7 and 8).

c) The short-term investments are stated at cost which approximates market value.

d) Office equipment is expensed during the year of purchase. To maintain accountability for these assets, they are recorded on the balance sheet as assets with an offsetting equity account.

3. **Loans Receivable**

Loans are repayable, with interest, over terms not exceeding fifteen years. The loans bear interest at rates varying between 6% and 14% depending on the year of issue. Security on individual loans varies according to what is considered adequate in the particular circumstances, and includes mortgages on real property, chattel mortgages and guarantees, as well as insurance on the lives of the borrowers.

Under Parts VI, VII and VIII of the Regulations under **The Agricultural Incentives Act**, the Corporation was authorized to make cash advances to cattle farmers for the purpose of maintaining their breeding stock. This program expired on March 31, 1980, and all loans and accrued interest became due and payable. Included in loans receivable and accrued interest receivable are outstanding cash advances of $366,994 (1984 — $892,108).

4. **Allowance for Doubtful Accounts**

This includes an allowance for cash advances totalling $60,553 (1984 — $616,785).

The Corporation has made no allowance for expenses that may be incurred in honouring guarantees on outstanding loans extended by commercial lending institutions (Notes 2(b), 7 and 8).

5. **Appropriations from Province of Saskatchewan — Department of Agriculture**

Under Section 29 of **The Agricultural Credit Corporation of Saskatchewan Act**, the Minister of Agriculture may make grants to the Corporation out of monies appropriated by the Legislature. During the year ended March 31, 1985, grants were received for the payment of administration costs, interest on borrowed funds, grants made to farmers under Section 15 of the Act, losses incurred on loans extended under the Act, costs incurred by honouring guarantees made under the Act, the interest subsidy on loans extended under **The Livestock Loans Guarantee Act**, and costs incurred by honouring guarantees made on loans extended under **The Livestock Loans Guarantee Act**, (Note 7). Furthermore, the Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year. The following table summarizes activity in respect of grant monies for the year ended March 31, 1985. (Note 2(a)).

5. **Appropriations from Province of Saskatchewan — Department of Agriculture (Continued)**

	Administration	Interest Subsidy	Grants to Farmers	Loan Losses	Livestock Loan Guarantees	Total
1984-85						
Total Appropriations	$3,072,620	$ 4,850,000	$ –	$2,850,000	$ –	$10,772,620
Grant Proceeds Received	$3,007,620	$ 3,650,000	$ –	$2,850,000	$ –	$ 9,507,620
Gross Expenditures	$3,125,572	$20,191,962	$ 5,939	$3,257,643	$4,313	$26,585,429
Add Surplus Revenue (Note 2(a))	–	–	214,277	–	37,442	251,719
Deduct Total Revenue	202,330	16,795,965	220,216	–	41,755	17,260,266
Net Expenditure for Purpose Specified	2,923,242	3,395,997	–	3,257,643	–	9,576,882
Gross Unexpended (Overexpended) Grants	84,378	254,003	–	(407,643)	–	(69,262)
Deduct Interim Repayment	–	150,000	–	–	–	150,000
Over Expenditure to be Charged Against Surplus (Note 2(a))	–	–	–	407,643	–	407,643
Unexpended Grants Payable	$ 84,378	$ 104,003	$ –	$ –	$ –	$ 188,381

6. **Borrowing**

Under Section 19 of **The Agricultural Credit Corporation of Saskatchewan Act** the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to $500,000,000.

All funds borrowed under the line of credit are at the bank's prime rate of interest.

As of March 31, 1985 the following advances from the Province of Saskatchewan — Consolidated Fund were outstanding:

Amount	Due Date	Interest Rate
$ 2,600,000	July 2, 1994	8.58%
4,839,000	August 1, 1994	9.05%
3,733,000	September 3, 1994	8.92%
3,573,000	November 1, 1994	9.25%
3,100,000	December 2, 1994	9.07%
2,397,000	January 2, 1995	8.63%
3,576,000	February 3, 1995	8.46%
4,633,000	March 3, 1995	8.38%
1,500,000	May 1, 1995	8.65%
4,031,000	November 3, 1995	9.48%
3,155,000	December 1, 1995	8.95%
2,036,000	January 5, 1996	9.14%
3,060,000	February 2, 1996	9.07%
7,639,000	March 1, 1996	9.06%
6,399,000	April 1, 1996	9.03%
3,170,000	June 1, 1996	9.00%
5,194,000	August 3, 1996	8.98%
5,000,000	September 1, 1996	9.07%
4,657,000	May 10, 1998	9.49%
13,572,000	June 2, 2000	12.01%
5,735,000	July 3, 2000	11.82%
3,273,000	December 1, 2000	13.30%
1,648,000	January 5, 2001	13.18%
4,372,000	March 2, 2001	13.13%
9,044,000	July 2, 2001	14.81%
7,544,000	September 1, 2001	17.01%
1,551,000	November 2, 2001	17.51%
4,253,000	December 1, 2001	15.93%
5,167,000	January 4, 2002	14.51%
5,441,000	March 1, 2002	16.10%
11,310,000	July 5, 2002	15.38%
9,124,000	August 3, 2002	16.53%
13,517,000	April 5, 2003	11.59%
$169,843,000		

The interest expended on each type of debt was as follows:

	1985	1984
Interest on Advances	$20,178,517	$20,203,024
Bank Interest	13,444	11,148
	$20,191,961	$20,214,172

7. **Guaranteed Loans Under The Livestock Loans Guarantee Act**

Effective April 1, 1975, the Corporation became responsible for administration of the Livestock Loan Guarantee Program under **The Livestock Loans Guarantee Act**. Under this program, the Minister of Agriculture guaranteed loans to livestock producers extended by commercial lending institutions. In addition, the Minister would pay each producer the interest paid in excess of 7% during the first three years of the loans. As of March 31, 1985, there were no outstanding loans (1984 — $5,237) (Note 4).

8. **Guaranteed Loans Under The Agricultural Credit Corporation of Saskatchewan Act**

As indicated in Note 2(b), the Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions. Guaranteed livestock loans may be made to farmers who expand their livestock herds and at March 31, 1985, there were $318,972 in outstanding loans (1984 — $443,408). These loans are guaranteed for 80% of the outstanding balance. Regular clients may also be approved for guaranteed operating loans to help finance their operations. Loans made prior to January 1, 1984 are guaranteed for 80%, and loans made commencing January 1, 1984 are guaranteed for 90% of the outstanding balance. At March 31, 1985, there were $248,443 in outstanding operating loans (1984 — $80,091) (Note 4).

9. **Commitments**

As indicated in Note 2(b), the Corporation does not recognize grant expenditures until the grant payment is made. At March 31, 1985 the Corporation had grants under the Loan and Grant Program approved prior to August 31, 1982 but not disbursed of approximately $19,743 (1984 — $43,077).

At March 31, 1985, there were approximately $9,309,873 (1984 — $11,402,566) in loans approved but not yet disbursed.

10. **Related Party Transactions**

In accordance with established government policy, the Corporation has not been charged with certain costs including occupancy of seventeen offices. These costs have been absorbed by various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and notes thereto.

11. **Executive Salaries**

Included in Salaries and Benefits on Schedule 1, are executive salaries of $180,624 (1984 — $185,670), paid to three (1984 — four) executives.

12. **Payable — Department of Agriculture**

The Corporation administers Conservation and Land Improvement Loans for the Department of Agriculture. Interest received is reflected as accrued interest and other payables. Repayments of principal received from farmers are recorded as payable to the Department of Agriculture.

13. **Subsequent Events — Livestock Cash Advance Program**

In August, 1985, the Government of Saskatchewan introduced the Livestock Cash Advance Program to provide livestock producers with repayable cash advances and to be administered by the Corporation. These advances are interest-free for up to 12 months from the date of disbursement. In order to fund this program, the Corporation was empowered in August, 1985 to borrow up to $50,000,000 by way of temporary loans from the Consolidated Fund. This limit was increased to $200,000,000 on September 24, 1985. These temporary loans are to become due and payable within 12 months from the date of each loan and are to be charged interest at rates set by the Minister of Finance. To September 25, 1985, $61,644,850 had been borrowed from the Consolidated Fund and $92,071,975 had been advanced to producers.

Schedule of Administrative Expenses

Year Ended March 31

Schedule 1

Agricultural Credit Corporation of Saskatchewan

	1985	1984
Salaries and benefits (Note 11)	**$2,304,736**	$2,511,596
Professional services	**305,610**	190,944
Travel and sustenance	**230,451**	176,854
Telephones	**97,905**	98,687
Printing and stationery	**31,560**	95,589
Data processing costs	**75,325**	71,638
Chattel registration fees	**31,304**	32,010
Miscellaneous administrative costs	**28,814**	30,089
Advertising	**12,032**	16,506
Purchase of office equipment	**7,835**	1,232
Total administrative expenses	**$3,125,572**	$3,225,145